GOVERNMENT OF INDIA
DISINVESTMENT
LOK SABHA

UNSTARRED QUESTION NO:3113
ANSWERED ON:12.03.2003
DISINVESTMENT OF NALCO
MINATI SEN

Will the Minister of DISINVESTMENT be pleased to state:

(a) whether the Government propose to disinvest the NALCO at price of Rs.3000 crores while it earns Rs.300 crores yearly as foreign exchange and whose asset value is more than Rs.15,000 crores;

(b) if so, the reasons therefor;

(c) whether the Government propose to make any alternative arrangement for the livelihood of 17,000 workers after the disinvestment of the NALCO; and

(d) if so, the details thereof?

Answer

MINISTER OF COMMUNICATIONS AND INFORMATION TECHNOLOGY AND MINISTER OF DISINVESTMENT (SHF SHOURIE)

(a)&(b) Government has decided to disinvest 30% of NALCO's equity through public offer of shares, 10% of which would be in domestic market and 20% through ADR issue to be followed soon after by sale of 29.15% equity through a strategic partner brining the Government equity down to 26% after reserving upto 2% of the equity for NALCO employees. The amount likely to be realised through disinvestment depends of the timing of the disinvestment, performance of the company, level of competition, other market related factors and cannot be estimated with confidence. As per the present procedure, the valuation of the company will be done by professional advisors prior to disinvestment using the four internationally accepted methods namely, Discounted Cash Flow Method, Balance Sheet Method, Asset Valuation Method, and Transaction Multiple Method to determine the reserve price.

(c)&(d) Protection of employees' interest is an integral part of the disinvestment policy. Adequate provisions are made in the Transactions Agreements, executed as a part of strategic sale, to ensure that there is no retrenchment of employees for one year after disinvestment and even thereafter separation is possible only under the Voluntary Retirement Scheme as applicable under DPE guidelines or the Voluntary Retirement Scheme which was prevailing in the company prior to disinvestment whichever is more beneficial for the employees. A Typical provision likely to be incorporated in the Transaction Agreement entered with the strategic partner at the time of disinvestment of Government's equity in a PSU is given in Annexure.

Annexure

Typical provisions related to employees' interest incorporated in the Transaction Agreement are as follows:-

Recitals:

• Subject to the substantives clauses in this regard, the Parties envision that all Employees of the Company on the date hereof will continue in the employment of the Company.

• The SP recognises that the government in relation to its employment policies follows certain principles for the benefit of the members of the Scheduled Caste / Schedules Tribes, physically handicapped persons and other socially disadvantages categories of the society. The SP shall use its best efforts to cause the Company to provide adequate job opportunities for such persons.Further, in the event of any reduction in the strength of the employees of the Company, the SP shall use its best efforts to ensure that the physically handicapped persons, Scheduled Castes/Scheduled Tribes are retrenched at the end.

Substantive Clauses

• Notwithstanding anything to the contrary in this Article __, the Government, shall at any time and at its sole discretion, have the option of selling shares from its shareholding in the company, representing not more than __ of the share capital of the company existing as of date of this Agreement, to the employees of the Company ("employees sell share"). In the event that the Government exercises its option to sell part of its shares to the employees, the employees shall be issued fresh share certificates for the shares transferred to the employees. The Shareholders agree that, upon the completion of transfer, the shares transferred to the employees pursuant to this sub-clause shall not be subject to any restrictions in this Agreement, whether by way of a voting arrangement or a right of first refusal.

• The SP covenants with the Government that

(a) notwithstanding anything to the contrary in this Agreement, it shall not retrench any of the Employees of the Company for a period of 1 (one) year from the Closing Date other than any dismissal or termination of Employees of the Company from their employment in accordance with the applicable staff regulations and standing orders of the Company or applicable Laws;

(b) notwithstanding anything to the country in this Agreement, but subject to Sub-Clause (a) above, any restructuring of the labour force of the Company shall be implemented in the manner recommended by the Board and in accordance with all applicable Laws;

(c) notwithstanding anything to the contrary in this Agreement, but subject to Sub-Clause (a) above, in the event of any reduction of the strength of the Company's Employees, the SP shall ensure that the Company offers its Employees anoption to voluntarily retire on terms that are not, in any manner, less favourable than the VRS applicable before disinvestment.